

Health Insurance Basics

Health Maintenance Organization HMO-The most restrictive and typically least expensive health plan. An HMO is a prepaid medical service plan in which medical service providers, who must be used by plan members, contract with the HMO to provide services. The focus of an HMO is preventive medicine. An HMO is characterized by low out of pocket costs (copays). The insured must choose a primary care physician and the insured's primary care physician or "gatekeeper" directs the patient's care throughout the healthcare continuum through the use of referrals. Insureds may ONLY use medical providers within the network.

Point of Service POS plans-The POS is a hybrid of an HMO and a traditional fee-for-service plan. At the time the insured requires medical attention he/she has the choice of going to their pre-selected primary care physician and navigating the system just like a HMO-paying copays for service. Or the insured has the option of using a medical provider not in the network. If the insured uses a non-network physician the physician will be paid fee for service. These non-network visits are subject to a yearly deductible and coinsurance which are typically significantly higher than the in-network copay.

Preferred Provider Organization PPO-The PPO is a unique plan that combines both in network and out of network coverage on a fee for service basis. In-network doctors are paid fee for service as opposed to the capitation they receive in an HMO or POS, however those medical care providers in network have previously agreed upon the fees to be charged. Members are encouraged to use in-network providers in the form of benefits. For instance, the PPO may provide 90% of the cost of an in-network physician while only providing for 70% of the cost if the member chooses to see a physician out of network.

Traditional Fee for Service plans-Traditional fee for service or indemnity plans are the least restrictive and most expensive plans available. In an indemnity plan, the Insured may see any medical provider anywhere anytime without the restriction of a network. The insured must pay for the services out of their own pocket and then get reimbursed subject to deductible and coinsurance percentage.

Health Savings Account HSA-A Health Savings account is a new, federally approved, special savings account that enables members of certain qualified high deductible plans to pay for qualified medical expenses with money that is not taxed. The high deductible plan provides major medical coverage so you are protected from financial hardship due to catastrophic illness or injury. The HSA allows the insured to deposit *tax-free* money into the HSA to cover current and future medical expenses. What's not used for the medical expenses can be saved until retirement.